

**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Served April

12,1996

**Issued by the Department of Transportation
on the 12th day of April, 1996**

Applications of	:	
	:	
AMERICAN AIRLINES, INC.	:	Docket OST-96-1204
	:	
USAIR, INC.	:	OST-95-187
	:	
for exemptions under 49 U.S.C. section 40109	:	
(Boston-Paris)	:	
	:	

ORDER GRANTING EXEMPTION

Summary

By this order we grant American Airlines exemption authority to provide scheduled combination air services between Boston and Paris. The authority granted is effective immediately and will remain in effect for a period of two years.

Background

Air services between the United States and France are governed by the principles of comity and reciprocity. In March, representatives of the United States and France reached an arrangement under which the U.S.-France 1996 summer schedules of French and U.S. carriers have been approved. In addition, the French agreed that the United States may replace the suspended Northwest Airlines service in the Boston-Paris market. The carrier selected may operate a daily flight with B-767 or equivalent aircraft. Trans World Airlines is the other U.S. carrier authorized to serve the Boston-Paris market. TWA operates a daily flight with B-767 aircraft with single-plane behind gateway service to St. Louis and Los Angeles.

Applications

American and USAir filed exemption applications to serve the Boston-Paris market in response to a Department notice soliciting applications for such service.¹ Each of the

¹ See, Notice dated March 27, 1996.

carriers filed answers to the other's application. In addition, Massport filed an answer to each carrier's application. USAir's application and responsive pleadings also included numerous letters of support from congressional, state, and civic parties. On April 8, USAir filed a motion for immediate action on the applications. Massport filed in support of USAir's motion.

Both American and USAir propose to operate daily service in the market using B-767 aircraft. American would also provide single flight number service to Los Angeles behind Boston and proposes to begin service May 1. USAir does not propose any behind gateway services, and states that it could begin services immediately upon authorization by the Department and French authorities. American would serve Paris's Orly Airport; USAir would serve Charles de Gaulle.

American argues that it is the best choice in this case because it has a proven record of success operating transatlantic service at the Boston gateway (Boston-London), it has a substantial presence at both Paris and Boston, and its service would offer passengers service through Orly Airport, which it claims is preferred by Paris passengers because of its proximity to the city and superior connections to cities throughout France. Since TWA serves the Boston-Paris market through Charles de Gaulle, American states that its service will provide Boston travelers for the first time with a choice of Paris airports. In addition, American argues that its strong identity at Paris and Boston will enable it to begin services quickly, to serve the market well, and to compete effectively with TWA.

USAir states that it has a significantly greater presence at Boston than American, offering over 200 daily flights to 39 U.S. cities compared to only eight by American, and thus is in a better position both to serve the local market and to provide a valuable alternative gateway to passengers from interior U.S. cities. USAir also argues that it can begin services immediately whereas American would not begin service until May 1, and that its service to Charles de Gaulle Airport offers passengers a wider array of connecting opportunities than American's Orly service. In terms of competitive benefits, USAir argues that its strength at Boston will enable it to compete more effectively with TWA at Boston and to offer significant new competition with New York/Newark-Paris services offered by American and Air France, a benefit not available from American. USAir also states that the Boston-Paris route will be a key element in its planned expansion into transatlantic services and will complement its Boston-Frankfurt services, as well as its expanded transatlantic services from its Philadelphia hub. Finally, USAir cites the overwhelming community support for its proposed service from congressional, state, local and civic parties. Because of the need to promote and market services for this summer season, USAir urges the Department to proceed to a final decision in this case.

Massport emphasizes the importance of replacement service to the economy of Boston. It does not support one applicant over the other, but urges the Department to make a decision quickly so that new service may be provided as soon as possible.

Decision

We have decided to grant American an exemption to serve the Boston-Paris market. We have also decided to proceed to a final award in this case. There is an important newly gained service opportunity that needs to be used immediately. Therefore, given the immediate availability of this service opportunity, our need to make use of the opportunity for this now ongoing summer season, and the fact that the French carriers intend to implement their newly gained increased services right away, we believe that the circumstances of this case warrant making the award effective immediately. Such action will facilitate adequate marketing of the services and enhance U.S.-flag competition with the increased French carrier services in the overall U.S.-France market. The authority will remain in effect for a period of two years.

Both carriers have presented credible service proposals. Both would operate a daily service in the market and both would operate B-767-200 aircraft. Furthermore, both have established operations at both Boston and Paris, and thus could begin services quickly. Neither carrier proposes any single-plane behind gateway benefits, although American would offer single flight number service to Los Angeles. While the selection of either carrier would offer advantages that are not available from the other's proposal, we find that American's proposal offers greater overall benefits in the circumstances of this case.

American's advantage in this proceeding stems from the fact that it would offer Boston travelers more service options and its selection would have a greater impact on competition. We find that these considerations are entitled to the most weight in this case because the Boston gateway accounts for most of the travelers in the market. Only American's proposal would provide passengers with a choice of airport at Paris. TWA currently serves Charles de Gaulle from Boston and USAir has also proposed Paris service through Charles de Gaulle. While Charles de Gaulle offers numerous connecting opportunities to other points in Europe, Orly offers superior connections to points in France. Thus, American would be in a position to offer the most convenient service to passengers traveling between Boston and points within France. This service alternative can be valuable both for business as well as discretionary travelers. Consequently, we view American's proposal to provide Boston passengers with access to France through Orly as a significant public benefit.

We also believe that American's proposal offers certain competitive advantages. American is in a position to provide greater intragateway competition than USAir. Only American would offer Boston passengers an attractive service option not provided by the incumbent or USAir, including in particular, significantly improved access for U.S.-originating passengers to the intra-France market through the greater intra-France connections available at Orly. At the same time, that access provides American an advantage in terms of being able to tap a larger pool of French-originating traffic enhancing the viability of its services. We believe that these advantages are enhanced by American's presence in the U.S.-France market which is

comparable to TWA's and stronger than USAir's--as USAir recognizes. (See, March 29 Amended application of USAir at 2). Indeed, these same considerations strongly suggest that an award to American would strengthen the U.S.-flag position in the market and provide the greater competitive benefits overall.

In reaching this conclusion, we have considered USAir's argument that an award to it in this case would enhance its participation in the overall transatlantic market. While we appreciate USAir's commitment to expanding its international services, we cannot find that this one factor outweighs American's significant advantages in the circumstances presented in this case. We have also carefully considered USAir's argument that, because of its stronger presence at Boston, it can provide more online service and greater competition than American in the overall U.S.-France market. However, the level of intergateway competitive benefits that are likely to result from an award in this case is limited by the local nature of the Boston market.² USAir's claimed advantage in this area is further diminished by the fact that it already offers comparable online service over Philadelphia to Paris for most of the beyond points in this case.³ Moreover, American is well established at Boston,⁴ and as we discussed above, its proposal offers more attractive service options than USAir and more effective competition with the incumbent airline. Consequently, American is in a better position to provide effective competition at both ends of the route. For these reasons, we find that American's advantages clearly outweigh those offered by USAir's proposal.

ACCORDINGLY,

1. We exempt American Airlines, Inc. from the provisions of 49 U.S.C. section 41101 to the extent necessary to engage in scheduled foreign air transportation of persons, property and mail between Boston, Massachusetts, and Paris, France;
2. The authority granted is effective immediately for a period of two years;
3. We grant the April 8, 1996 Motion of USAir, Inc. for immediate action;
4. We deny the application of USAir, Inc. in Docket OST-95-187; and

² See, March 29 Amended Application of USAir at 9 and April 2 Answer of American at 6.

³ See, Official Airline Guide, May 1996. Furthermore, at many of these points USAir offers equal or better connections over Philadelphia than its proposed service over Boston. For example, Rochester, Albany, Tampa, and Buffalo receive comparable service over either gateway, and Charlotte has a shorter elapsed travel time over Philadelphia than over USAir's proposed service at Boston. March 29 Amended Application of USAir, Exhibit 4 and Official Airline Guide, May 1996.

⁴ See, April 2 Answer of American Exhibit AA-108R.

5. We will serve this order on American Airlines, Inc.; USAir, Inc.; Massport; the Ambassador of France in Washington, D.C.; the Department of State (Office of Aviation Negotiations); and the Federal Aviation Administration.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://www.dot.gov/dotinfo/general/orders/aviation.html>*